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GERMANY'S INDUSTRIAL PARLIAMENT

THE NATIONAL ECONOMIC COUNCIL

1. Introduction

THE National Economic Council which began to function in the summer of 1920 is one of Germany's experiments in finding an instrument which would help solve her pressing economic and social questions. Moreover, it is a product, in a greatly modified form, of the Council movement which set in at the overturn of the imperial government. Originally the demands of the revolutionary forces, which had formed Workers and Soldiers Councils, were for the creation of a political council system patterned after the Russian Soviets. But as these ideas met with very determined opposition on the part of the trade unionists and Socialists, who had taken over governmental powers themselves, the advocates of the Council System were forced to surrender the greater part of their demands and satisfy themselves with a declaration of the Government that some form of Economic Council System, having no political functions, was to be instituted in Germany.

As the Government did not at once seriously set to work to create such a Council System, agitation continued and a renewed effort of the remaining Workers' and Soldiers' Councils to hold one big political demonstration, to force the hand of the Government and to prevent what seemed to them the loss of the fruits of the revolution, obliged the Government and with it the National Assembly to embody in Article 165 of the German Constitution the right of the workers to exercise control in the regulation of wages and working conditions and moreover to give them the right to participate in the entire economic development of the nation's productive forces.

To enable the workers to exercise these functions they were to be given legal representation in Works Councils, covering the single establishments, in District Works Councils, which would be a grouping of the Establishment Works Councils ac-

according to economic districts, and in a National Works Council. Aside from these various Works Councils representing primarily the workers' interests, the workers were to participate also in the Economic Councils which were to be formed by the District Works Councils together with the employers' representatives of a given district and be called District Economic Councils. These District Economic Councils joined together would form a National Economic Council.

Of the Council system which is outlined here up till today only the Establishment Works Councils have been definitely instituted by law.¹ The National Economic Council which has been created and which is described here is not the superstructure of the Council System which was originally intended to be built up. It came into being through a Decree issued May 4, 1920, by the National Government and is provisional in nature until the final Economic Council is constituted.

The reasons for creating the National Economic Council before the other parts of the council program were realized were of a pressing nature. The enormous difficulties in which Germany found herself as a result of the war demanded unification of all the country's economic forces. If German life was to be brought back to normal it was urgent that the problems of economic restoration be taken out of the political atmosphere. The then newly elected Reichstag, however, was surcharged with political animosities which made it extremely difficult for the Government to obtain a working majority which would enable it to attack the pressing problems. The Government was criticized a good deal on the ground that in proposing economic measures it was not well informed about the real feeling of the people towards them and that it did not make an attempt to get the advice of those standing right in the midst of the economic and industrial life. The various economic committees

¹The Works Council System as finally constituted is not quite the instrument of fundamental economic control and socialization which the advocates of the council idea had hoped they would get as a result of the promise of the Government. The Works Councils' functions are centered in the single establishment and larger powers of economic control have not been granted them. For details see an article by the writer, "The German Works Council System" in *Administration*, July, 1922.

appointed successively by the Government to help find a way out of the economic and industrial difficulties did not prove to be adequate for their tasks. The Government therefore was greatly in need of a generally recognized body which would back it up in its economic and industrial measures, and it proceeded in earnest to establish the National Economic Council.

What the new industrial parliament was to be and how the nation's economic forces would operate through it was thought out very carefully by its proponents. In the National Economic Council would be represented the country's most eminent economic and industrial experts and thus it would unite in one body the sum total of German economic and managerial-technical knowledge. Although the Economic Council was not to have the powers of a law-making body, it was to be given such broad functions that its deliberations and decisions would exert an immediate and direct influence upon the political parliament. For that reason not only was the National Economic Council to have the right to demand that socio-political and economic bills before their presentation to the Reichstag should be submitted by the National Government to the National Economic Council for its opinion, but also the Council was to possess powers of initiative and be given the right to propose bills of such a nature. Having representation in the Economic Council the various economic groups of the country would have an opportunity to make their influence felt directly through the Economic Council and not need to exert their influence indirectly through parliamentary agents. Political expediency would be excluded almost entirely from the counsels of this new economic parliament, as its members, being appointed and not elected, would not necessarily be guided entirely by political considerations. It was felt that the Economic Council would become a living social organism and would bring about in Germany's economic life a much-desired unity which the Parliament as a political body with sharply opposing interests could not accomplish.

While practically all the important economic and industrial groups were for the creation of an Economic Council, the form it was to take and its composition caused a great deal of con-

troversy. There were first the advocates of territorial representation who wanted the Economic Council to be built up according to districts and States. Opposing them were the representatives of the large employers' and employees' organizations, centrally and nationally organized, who objected to territorial representation and wanted to have the Economic Council built up on the basis of the nationally organized industry groups. After considerable wrangling the latter idea prevailed, but concessions had to be made to the advocates of regional representation. Thus it came about that the membership of the Economic Council was increased from 100, the number originally proposed, to 326, the number finally adopted. In fixing the number of delegates the basic thought was that the employers and employees should have an equal number of delegates in the Council and the total number of delegates representing the producers and distributors of goods should be in fair proportion to the delegates representing the ultimate consumer. One of the most difficult tasks was to give equitable representation to all the important groups in industrial and commercial life, for it is evident that census figures—and only out-of-date figures were available—offer no very exact basis for measuring the relative importance of each group that was to be given representation.

2. *The Economic Council: Functions, Composition etc.*

The functions of the Economic Council may be briefly summarized as follows: (1) To express its opinion on economic and socio-political bills of fundamental importance, which must be submitted by the National Government to the Economic Council before they are presented to the Reichstag. (2) To originate proposals of an economic or socio-political nature which it can place before the Government. (3) To form a permanent economic and a permanent socio-political committee to advise the various Government Departments on current economic and social problems. (4) To cooperate in the formation of Works Councils, District Economic Councils and representative Employers' Federations.

The Council altogether has 326 members, divided among the different groups as follows:

	Number	Per cent
(1) Agriculture and Forestry	68	21
(2) Horticulture and Fisheries.	6	2
(3) Industry	68	21
(4) Trade, Banks and Insurance Companies . .	44	13
(5) Transportation and Public Enterprises. . .	34	10
(6) Handicrafts	36	11
(7) Consumers	30	9
(8) Corps of Officials and of Professions. . .	16	5
(9) Reichsrat	12	4
(10) National Government.	12	4
	326	100

The members of the Economic Council are not elected by popular vote but appointed by representative employers' and workers' organizations, public corporations, consumers' organizations and the Government. Of the 256 members comprised in Groups 1 to 6 which represent the producers, 128 are appointed by the various employers' organizations, public corporations etc., and 128 by the various workers' organizations. In the consumers' groups are represented property-owners and tenants, cooperative societies, housewives, domestic servants; among the professions are represented civil engineers, lawyers, physicians, artists, writers and so forth. The twelve appointees of the Reichsrat are selected because of their intimate acquaintance with the economic life of the various sections of Germany, and the twelve appointees of the National Government have been chosen because they have rendered some signal service to Germany's industrial life.

Anyone who is eligible to be elected to the Reichstag can be appointed a member of the National Economic Council and even if one is a member of the Reichsrat or Reichstag, that does not prevent him from being at the same time a member of the Economic Council. The appointment as member of the Economic Council is a permanent one and the office, outside of voluntary resignation or death, need be relinquished only upon recall by the organization to which the member owes his appointment.

The Economic Council has a chairman, a first vice-chairman, seven more vice-chairmen and nine secretaries. Together these eighteen officers form the Executive Committee. The chairman and first vice-chairman are elected from the total number of employers' and employees' delegates as represented in groups one to six, but so that both the employers and employees are represented. The employers' delegates of groups one to six elect two more vice-chairmen and three secretaries and the employees' delegates of the same groups also elect two more vice-chairmen and three secretaries. Groups seven to ten elect three vice-chairmen and three secretaries. The Executive Committee is therefore composed of one-third employers' members, one-third employees' members and one-third members representing consumers and professions. The chairman and first vice-chairman alternate as presiding officers once every six months, so that the employers' and employees' delegates alternate in presiding.

The constitution of the Economic Council provides for two permanent committees—the economic and the socio-political—which have thirty members each. The Economic Council has the right to appoint as many more committees as it sees fit. The committees themselves are given the right to appoint sub-committees. In all committees and sub-committees representation is on the basis of one-third employers' members, one-third employees' members, and one-third representatives of consumers and professions.

As it is desirable to have in the votes of the Economic Council a faithful reflection of the industrial and economic forces on the outside, the vote of each group is recorded separately, showing in detail the majority and minority vote within the group.

3. The Work of the Economic Council

A summary of how the Economic Council works in practice is given below:

1. The Government submits to the Economic Council drafts of economic or socio-political bills of importance and other programs of contemplated governmental action of far-reaching

nature; these bills or programs are studied by the Economic Council and sent back to the Government with detailed reports and recommendations.

2. The various committees of the Economic Council are in close touch with the governmental departments having jurisdiction over matters for the handling of which the committees were formed. These governmental departments submit current problems of some importance to the Economic Council and its committees; such matters are carefully studied and reports with specific recommendations are made.

3. Upon the initiative of one or more members of the Economic Council or upon the request of private persons or organizations, the Economic Council or its committees take up inquiries suggested by these persons or organizations; the matter is studied and together with recommendations is submitted to the governmental departments concerned.

4. One or more members of the Economic Council may address short written inquiries to the Government which state very precisely what information is wanted. The Government answers these inquiries either verbally or in writing. In practice these inquiries are more in the nature of criticism or disapproval of the action of the Government or one of its administrative departments.

5. Inquiries (interpellations) on matters of national or international importance are addressed directly to the Chancellor. Such inquiries, however, must be signed by at least thirty members of the Economic Council. These inquiries are answered by the Chancellor in person before the plenary session of the Economic Council and they usually become the basis for some future action on the part of the Government.

The Economic Council has parliamentary forms. But, being a body of experts and not of politicians, it eschews long-winded discussions before the public forum. For that reason plenary sessions of the Council do not take place very often. The bulk of the work is done in the meetings of the various committees. This practice, it is thought, permits a more objective and less oratorical handling of the questions at issue. Thus it comes to pass for the one-year period from April, 1921,

to April, 1922, for instance, there were less than twenty-nine sessions of the full Council, but more than seven hundred committee meetings.

Quite a clear idea of the range of work of the Economic Council may be had by merely enumerating its committees. There are first the two permanent economic and socio-political committees provided for in the decree. From members of both of these committees there has been formed a sub-committee to assure close cooperation between the two. In addition to these two permanent committees the Economic Council has appointed committees dealing with problems of commerce, finance, transportation, waterways, land-settlement and dwellings, works councils, and development of productive forces. The Economic Committee has created further sub-committees for the discussion of questions of control of foreign trade and levying of export duties. The Commerce Committee has formed sub-committees which deal with problems such as granting of production credits, agricultural needs and food provisioning, coal problems, forestry questions, promotion of intellectual work and economic socialization. The Finance Committee has a sub-committee which deals with control of taxation and one which is to prepare data for consideration by the larger committee.

Much more space than is here available would be necessary to enumerate in detail the many questions the Economic Council, its committees and sub-committees have dealt with since the inception of the Council. Only a few may be mentioned: the formulation of a program which would put Germany's finances on a sounder basis; a careful examination of the general taxation laws, imposition of an income tax, consumption tax, corporation tax, insurance tax, coal tax, and finally a levy on capital; regulation of foreign exchange and reparation payments; control of the potash industry, of commerce in articles of luxury and of exports and imports; unification of the laws controlling waterways, establishment of credit associations of German industry and stimulation of production of artificial fertilizers; granting of aid to promote building activities, legal regulations of rent and enactment of tenants' protective laws;

erection of dwellings for rural workers and cultivation and settlement of waste lands; control of retail prices of articles of consumption, bread-rationing and relief for nursing mothers.

In the domain of labor the Council has dealt with such matters as: draft of bill requiring the submission of balance sheets and profit-and-loss accounts to the Establishment Works Council and the prescribing the manner of delegating members of Works Councils to the Board of Directors; enactment of an industrial disputes settlement law; the enlargement of the employment service; regulation of the working time in industry, agriculture and domestic service; alleviation of unemployment; adoption of the law for unified wage statistics and reform of the social insurance system.

3. The Economic Council and its Critics

One of the first criticisms directed against the Economic Council is that it must do unfruitful work because it has only advisory and no legal powers and cannot therefore give legal force to its deliberations. While the Government is obliged to lay certain of its legislative proposals before the Economic Council, it may or it may not take the Council's advice; nor is the political parliament bound by the Council's decisions. The Economic Council, therefore, cannot be called an economic parliament, strictly speaking, but is at best a commission of inquiry having parliamentary form.

It is quite evident that the Economic Council has not found favor with the believers in pure parliamentarism, for they make no attempt to hide their jealousy of this new rival. In a recent discussion of the budget of the Economic Council before the Reichstag the attitude of the parliamentarians was brought out rather clearly. First they thought this new industrial parliament was entirely too expensive. Then it was considered to be merely a side-show of the Reichstag. Its right to existence had still to be proven. It was claimed that most of its activities did not differ from those of the parliament and that its work represented merely a duplication of effort, for the same things that are dealt with in the Economic Council must be discussed anew in the Reichstag. Parliamentary orators were loth to be-

lieve that there was a greater number of eminent economic and industrial experts in the Economic Council than in the Reichstag. Instead of the smaller number of political parties as represented in the Reichstag, there were a far greater number of separatist groups represented in the Economic Council all of which were anxious to present their points of view. This factional confusion instead of simplifying and accelerating the work caused only further delay. If there must be such a body as the Economic Council the parliamentarians would attach it, with a greatly reduced membership, to the Reichstag as a part of the parliamentary system.

Critics are not lacking who say that the deliberations of the Council have not been as free from politics as had been hoped. As example the fact is cited that in the discussion of the various taxation measures, which should have been considered as purely economic problems, political considerations had no small weight. Likewise group and class differences have not been obviated, for generally there is little unanimity in the votes taken; group interests predominate and employers and employees line up against one another.

The socialists of all shades and the trade-unionists have not been sparing in their criticisms of the Economic Council, although during the course of its existence a curious situation has developed; while the political socialists were more or less opposed to the Economic Council for about the same reasons that the other parliamentarians were against it, the more moderate trade-union socialists, believers in economic action, rather favored the Economic Council.

The Economic Council finds very little favor with the more extreme radical socialists who had hoped that the Council would become an effective instrument with which a breach might be made in the capitalist system. To them the Economic Council as at present constituted is purely an instrument of capital and offers no hope that through it the socialist program may be realized. And even if they were to accept the Economic Council, they think it an illusion to hope that the present Economic Council will gain in authority and develop into a real Economic Parliament. One of their chief objections to the

present Economic Council is the policy of giving equal representation to employers and employees. A few thousand employers, it is alleged, are given the same rights and have equal importance with millions of workers. Not being adherents of the system of "industrial mutualism", the extreme socialists object to the appointment of workers' representatives by joint councils of employees and employers, who, they say, managed to keep out the radical Metal Workers Union, the largest single labor organization in Germany. They also criticize very severely the fact that the workers' delegates cannot present a united front, for besides the "class conscious" trade-union members there are delegates of the Christian and "Yellow" (National) trade unions whose interests are not always identical with those of the socialist unions and who are prone to go their own way rather than follow the lead of their radical co-workers.

4. Conclusions

While the Economic Council has not been spared of criticism during the two years of its existence, it has gone on working. During this time it has also found a considerable number of supporters who had no preconceived notion that the Economic Council was going to transform Germany into an economic paradise or become a vital instrument of the class struggle. To them the following questions were put: Has the Economic Council been successful? How far have the hopes of the supporters of the Economic Council idea been realized? What distinctive position has the Economic Council itself established? What is the value of the Council's work to the Government and to the Reichstag? And, finally, what is the Council's influence upon the national economic life?

The time during which the Economic Council has been in existence, its supporters answer, is too short to permit anyone to say definitely whether it has been successful or unsuccessful; nor can its work be discredited because it has not fulfilled the fantastic hopes placed upon it. The Economic Council is a wholly new and untried institution and before it can find its own course it must necessarily go through a period of experi-

mentation. Because of its newness and the close relation of its work to the political parliament it has not yet been possible to define the activities of the Economic Council sharply as against those of the political parliament and assign to it its proper field of work. The fears that have been expressed that the Economic Council may develop into a rival parliament and endanger the political authority of the Reichstag are entirely unfounded. The idea of taking the power of final decision out of the hands of the political parliament is foreign to the members of the Economic Council. The Economic Council is gradually making a place of its own and finding its proper sphere of activities, which are not contradictory but supplementary to the work of the Reichstag. Closer relations between these two bodies are being established.

The strength of the Economic Council lies in the fact that it is composed of politically independent experts who are representatives of all the Nation's industrial and economic groups, consumers included. The members, not being elected by popular vote but being appointed by representative organizations and holding office permanently, are less influenced by political ambitions and parliamentary jealousies. It may be true that they are not wholly disinterested in the problems they have to deal with, but their judgments and decisions receive a certain correction through the presence in the Council of both big and little employers, workers and salaried employees, small shopkeepers, peasants, consumers and professionals. Because of this peculiar composition of the Economic Council the views on contentious problems are neutralized and there is no possibility that any one group may establish a predominant position. The spirit of political particularism, so rampant in Germany during these turbulent times, receives a certain check in this body of experts and an atmosphere is created which permits the larger common interest to predominate.

It is generally acknowledged that the Economic Council has done some very good work and has rendered valuable service. It has advanced really workable programs for the solution of pressing social and economic problems and has established guiding principles of fundamental importance. The Govern-

ment has publicly stated that it attaches great importance to the opinions of the Economic Council and that it has been influenced by the Council's recommendations. The Government considers the opinions of the Economic Council the more valuable as they come directly out of the experience of practical industrial life. The Reichstag and the various political parties, too, have gradually come to recognize the great value of receiving advice from a "Chamber of Experts" the composition of which is a guarantee that economic and social questions will be handled in a business-like manner and viewed from an objective standpoint. Through the preparatory work done by the Economic Council and its committees—careful expert study and the ironing-out of questions of dispute—the work of Parliament itself has been made easier and has been considerably expedited. Both the Government and the Reichstag acknowledge that their own position on public questions is strengthened through the proposals and recommendations of the Economic Council, for the Council, being cognizant of the important position it occupies in industrial life, naturally assumes full responsibility for the proposals it advances and the recommendations it makes.

Of paramount significance is the fact that it lies within the power of the Council itself to become an increasingly important factor in the entire economic scheme, for it has been given large powers of initiative which it may exercise in almost any direction. The Council's functions need not be limited to dealing with specific questions that are brought before it; its great opportunity lies in working out economic and industrial programs of far-reaching scope. Advocates of the Council idea hope that in time the economic council may be given certain powers of control over the governmental departments and even have the functions of a legislative body in its special sphere.

The chief value of the Economic Council at present lies in the weight and maturity of its judgment, as a body of economic experts and accredited specialists, whose advice no government and no lawmaking body, however strongly influenced by political considerations, can pass over lightly. As a per-

manently constituted body of eminent experts, the Economic Council is capable of penetrating deeply into economic life. Its greater objectivity gives some assurance that the economic and social problems will find a more equitable solution. The supporters of the industrial parliament idea have great confidence that the Economic Council will be increasingly useful as a means of bridging the gulf between capital and labor and of bringing about Germany's economic restoration.

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